

An organization, operated primarily for the purpose of promoting, selling and handling the national advertising in its members' publications, is engaged in the performance of particular services for individual members as distinguished from activities for the improvement of the business conditions of its members as a whole and, therefore, is not entitled to exemption from Federal income tax as a business league.

Advice has been requested whether an organization operated in the manner described below is entitled to exemption from Federal income tax as a business league.

In the instant case, the purpose of the organization is to assist in the promotion and sale of advertising in publications owned and controlled by member cooperatives selling a specified product. The organization has authority to represent its members in the making of contracts or agreements with advertising agencies or advertisers for the mutual benefit of such members. The organization also engages in the compilation and dissemination of information with respect to the product of the cooperatives and the furnishing of services to the cooperatives and others in connection with the coordination, advancement and development of the product for the primary and mutual benefit of its members and their patrons.

Section 39.101(7)-1 of Regulations 118, made applicable by reason of Treasury Decision 6091, C.B. 1954-2, 47, provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

It is apparent that the instant organization is operated primarily for the purpose of promoting, selling and handling the national advertising in its members' publications. Such activities constitute the performance of particular services for the individual members as distinguished from activities for the improvement of the business conditions of its membership as a whole. Accordingly, such an organization is not entitled to exemption from Federal income tax as a business league under section 501(c)(6) of the Internal Revenue Code of 1954.